

Minutes of the Finance Committee

The Finance Committee of the McLean County Board met on Tuesday, March 6, 2007 at 4:00 p.m. in Room 400 of the Government Center, 115 East Washington Street, Bloomington, IL.

Members Present: Chairman Sorensen; Members Nuckolls, Selzer, Butler and Moss

Members Absent: Member Owens

Other Members Present: None

Staff Present: Mr. Terry Lindberg, Assistant County Administrator; Ms. Jude LaCasse, Recording Secretary, County Administrator's Office

Department Heads/
Elected Officials

Present: Mr. Bob Keller, Director, Health Department; Mr. Lee Newcom, County Recorder; Mr. Don Lee, Director, Nursing Home; Ms. Jennifer Ho, Risk Manager; Ms. Jackie Dozier, County Auditor

Others Present: Ms. Chris Colaw, Accounting Specialist, County Auditor's Office; Mr. Paul Vendetti, Principal Actuary, Pinnacle Actuarial Resources; Mr. Byron Blotcky, Vice President, Commercial Lending, Commerce Bank; Mr. Brendan Fletcher, Vice President, Commercial Card, Commerce Bank; Mr. Tim Sexton, Vice President, Commercial Card, Commerce Bank

Chairman Sorensen called the meeting to order at 4:05 p.m.

Chairman Sorensen presented the minutes from the February 6, 2007 Finance Committee Meeting for approval. Hearing no corrections to those minutes, Chairman Sorensen advised that the minutes would stand approved as presented.

Chairman Sorensen stated that Mr. Lee Newcom, County Recorder, has resubmitted his request for approval of a contract for Professional Services with MAXIMUS, Inc. Chairman Sorensen advised that the new version of the Agreement answers some of the issues raised at the Finance Committee meeting last month, namely:

- Identifying the key staff that will be assigned to the project;
- Specific deliverables that will address work productivity and office productivity and efficiency that will be updatable after the study;
- The consultant will not change personnel without the County's permission.

Chairman Sorensen pointed out that the Administrator's Office was involved in the initial process of interviewing three vendors to conduct the Study and approved the Recorder's recommendation to contract with MAXIMUS, Inc.

Mr. Selzer thanked Mr. Newcom for incorporating the changes in the proposal.

Motion by Selzer/Nuckolls to Recommend Approval of
a Contract for Professional Services with MAXIMUS,
Inc.
Motion carried.

Mr. Newcom presented his Monthly Financial Reports for January, 2007.

Chairman Sorensen asked if there were any questions or comments. There were none.

Mr. Bob Keller, Director, Health Department, presented a request for approval of an Ordinance of the McLean County Board amending the 2007 Combined Appropriation and Budget Ordinance for Fund 0105 – "Ticket for a Cure Grant."

Mr. Keller explained that this is a grant received from the Illinois Department of Public Health's Office of Women's Health. He reported that this is a one-time grant for 13-months, March 1, 2007 – March 31, 2008. Mr. Keller stated that the grant is in the amount of \$32,000.00 of which \$19,950.00 is projected to be expended during Fiscal Year 2007. He advised that the program complements the Health Department's grant program called "Friends for Life" through the McLean County Susan G. Komen affiliate. Mr. Keller noted that the majority of funds will be used to develop a social marketing campaign related to breast cancer early intervention.

Motion by Moss/Selzer to Recommend Approval of an
Ordinance of the McLean County Board Amending the
2007 Combined Appropriation and Budget Ordinance
for Fund 0105 – "Tickets for a Cure Grant"
Motion carried.

Chairman Sorensen asked if there were any further questions. Hearing none, he thanked Mr. Keller.

Mr. Don Lee, Director, Nursing Home, presented his January Monthly Report. He indicated that the January report is not very meaningful as a lot of costs reported were allocated to the previous year. Mr. Lee reported that the census was high during January and continued to be high in February.

Mr. Selzer asked if Mr. Lee presented his year-end report last month. Mr. Lee replied that he has not presented the year-end report.

Chairman Sorensen asked if there were any questions. Hearing none, he thanked Mr. Lee.

Ms. Becky McNeil, County Treasurer, was unable to attend the meeting. However, the County Treasurer's Monthly Financial Reports for the period ending January 31, 2007 were distributed. The following is an overview of the Report.

Summary of Retailers Occupation Tax, State Income Tax and Personal Property Replacement Tax Revenue Report for the month ending February 28, 2007 Statistics:

- Retailers Occupation Tax Revenue Year to Date is \$915,441.53 which is -4.93% down from last year and 15.23% of budget.
- State Income Tax Revenue is \$325,075.24, which is 7.65% over last year and 20.38% of budget.
- Personal Property Replacement Tax Revenue is \$182,300.41, which is -1.80% down from last year and 13.07% of budget.

The Treasurer's General Pooled Investment Account encompasses all money that is held in the name of the McLean County Treasurer and the various funds in which those moneys are kept. The total of all funds in the Treasurer's General Pooled Investment Account is \$17,279,968.54.

The Statement of Revenues, Expenditures and Fund Balance for the General Fund as of February 28, 2007:

- The total Revenue as of February 28, 2007 is \$2,309,448.86, which is 7.67% of budget;
- Expenditures are \$3,977,663.02, which is 13.22% of budget;
- The Fund Balance as of February 28, 2007 is \$8,925,048.26.

Mr. Selzer suggested that the financial reports be reviewed a month in arrears so that the report can be included in the packet for review prior to the meeting. Chairman Sorensen responded that, because the County Board does not see the financial reports until the Finance Committee Minutes are placed in the County Board packet, reviewing the reports in arrears would put the Board behind in seeing the report by two months. He noted that, in most months, it may be possible to receive the Financial Reports in time to include them in the Committee Packet.

Motion by Nuckolls/Selzer to accept and place on file the Month-end Financial Reports from the County Treasurer's Office for the month ending February 28, 2007, as submitted.
Motion carried.

Ms. Jennifer Ho, Risk Management, presented the Actuarial Analysis of Self-Insured Liabilities as of December 31, 2006, which was conducted by Pinnacle Actuarial Resources. She reported that the analysis is based on 15 years of experience which provided the "critical mass" for credible results. Ms. Ho introduced Mr. Paul Vendetti, Principal Actuary, Pinnacle Actuarial Resources who will give the Actuarial Report.

Ms. Ho stated that, based on the analysis and the current exposure climate, the following conclusions can be drawn:

1. The County is in compliance with GASB 10 because actual reserves and available loss funds approximate projected costs.
2. The County needs to maintain a conservative approach in funding its self-insured liabilities due to the following factors:
 - a. The continued impact of the increased legal expenses;
 - b. The impact of increased benefits and average severity of workers compensation claims;
 - c. The pending outcome of the fire claim against Illinois Power.
3. While a less formal analysis in prior years had been adequate, an annual study would be prudent until the impact from the above factors has stabilized.

Ms. Ho indicated that, with respect to reserves, the analysis indicated projected reserves as of December 31, 2006 at \$1,481,441.00 vis-à-vis actual reserves of \$1,335,311.00 and a projected reserve of \$1,395,898.00 as of December 31, 2007. Projected reserves include a provision for unforeseen contingency due to

unreported claims (IBNR) and excludes more recent claims development since the February meeting. Ms. Ho noted that, when recent developments are considered, the difference between projected and actual will be reduced to \$98,701.00.

Ms. Ho advised that the analysis indicates a total funding of \$608,712.00 on an undiscounted basis vis-à-vis budgeted funding of \$580,000.00 in all claims lines. In 2007, reserves for both the general liability and workers' compensation claims lines were increased to reflect the 75% increase in legal fees for general liability claims, the increases in workers' compensation claims severity and benefits costs that came into play in 2006, the recognition that the charge-backs from the Nursing Home are reduced due to its improved workers' compensation costs and the first-dollar coverage for Nursing Home Liability Insurance.

Mr. Vendetti presented the Actuarial Report, noting the following highlights:

- The purpose of the analysis is to:
 - Estimate indicated loss reserves for McLean County's self-insured exposures at year end 2006 and 2007; and
 - Project funding requirements for 2007.
- Discussed the nature of retained workers compensation and casualty loss exposures;
- Discussed the nature of "incurred but not reported" (IBNR) reserves and their significance;
- Discussed the methodology employed to compute estimates of ultimate losses and required reserves;
- Need for IBNR Reserves:
 - Late reported claims, due to the normal lag between the time an incident occurs and injuries become manifest;
 - Claims that have been reported, but have no reserves assigned to them yet (so-called "pipeline" claims or RBNR – reported but not reserved);
 - Case reserves on open claims generally develop upward over time as more information becomes available; and
 - Reopened claims.
- Findings:
 - The total indicated funding for the upcoming fiscal year is \$518,846.00 on a discounted basis.
 - The total indicated reserves net of per occurrence retention as of December 31, 2006 are approximately \$1.481 million on a discounted basis.

- Projecting to December 31, 2007, the discounted reserves are \$1.395 million.
- Recommendations:
 - Conduct an actuarial analysis on a yearly basis
 - Educate department heads and employees on preventative measures to avoid accidents that may lead to Worker's Compensation claims.

Chairman Sorensen thanked Ms. Ho and Mr. Vendetti.

Ms. Jackie Dozier, County Auditor, presented a request for approval of a Commerce Bank Commercial Card Agreement. She noted that this is a renewal of the Agreement that the Auditor's Office is currently using and there are no changes. Chairman Sorensen pointed out that this is a house-keeping matter.

Motion by Selzer/Nuckolls to Recommend Approval of
a Commerce Bank Commercial Card Agreement.
Motion carried.

Ms. Dozier presented the next four requests, which relate to entering into an agreement with Commerce Bank to use their establishment to provide electronic credit card payments to several of the County's vendors. The four requests are as follows:

- Request for approval of a Works™ Payment Manager Service Subscription Agreement.
- Request for approval of an Authorization Agreement for Automatic Payments (ACH Debits) with Commerce Bank.
- request for approval of a Commerce Bank Corporate Resolution to obtain a Credit Card Account.
- Request for approval of a Commerce Bank Credit Line.

Mr. Lindberg introduced Mr. Byron Blotcky, Vice President, Commercial Lending, Commerce Bank; Mr. Tim Sexton, Vice President, Commercial Card, Commerce Bank; Mr. Brendan Fletcher, Vice President, Commercial Card, Commerce Bank.

Mr. Fletcher presented the benefits of the Credit Card Account program, noting that the program is basically converting paper check payments to electronic card payment. He stated that there are two key reasons the County is considering this program. The first is that it will reduce the number of checks being written every week, which will save both time and money. The second reason is the

County will receive a monthly check from Commerce Bank based on the volume of accounts payable paid through this program.

Mr. Fletcher advised that the program does not change anything in the Auditor's Office. The only thing that changes is that when it comes time to cut the check at the end of the process, the payment will be made with an electronic payment via a credit to the vendor's credit card account.

Mr. Fletcher stated that Commerce Bank did a "supplier match" by comparing a listing of all of the County's vendors to a list of vendors who accept Visa as a form of payment. He reported that they did an analysis on the County's vendors, which indicates that the County's vendor file showed about \$46 million in total payments. He advised that the analysis predicts a solid figure of \$6 million that can be put on the electronic payment program.

Mr. Fletcher indicated that, looking at the revenue share, they expect \$30,000.00 will go back to the County on an annual basis, which will be paid to the County monthly. He added that \$4,650.00 should be saved on time and materials by not writing checks. Mr. Fletcher stated that the County should save approximately \$34,650.00 on an annual basis by using this electronic card payment program.

Mr. Sexton noted that this program will not change the way approvals are made on the County's expenditures. They are just looking at replacing checks with an electronic payment.

Mr. Sexton advised that the County's vendors that will be on this program are identified and marked in the County's Accounts Payable System with an alternative payment method. At the end of the weekly check run, they will only take those vendors that are going to be paid utilizing the system. Mr. Sexton stated that they met with Mr. Eric Ozier of County Information Services who indicated that it is possible to flag those vendors on the Accounts Payable system.

Mr. Sexton indicated that Commerce Bank will contact the vendors ahead of time for their approval to be part of the program. He noted that the vendors will receive an E-mail stating that the County is ready to pay a certain number of invoices. Mr. Sexton advised that the control in this system is that they do not issue purchasing cards to anyone. Rather, they provide a card number and expiration date with each vendor, but it is a zero balance card. Once the County approves all of the expenditures, the County sends a file to Commerce Bank and they raise that credit line to the exact penny amount. As soon as the vendor processes that transaction, the card goes back to zero.

Mr. Sexton stated that the program could pay the invoices from approximately 50% of the County's vendors on the County's behalf using this program, and the other 50% would continue to be paid by check.

Mr. Selzer expressed some concern that the County could lose some interest based on the accelerated payment cycle using the electronic payment that transfers the money out of the County's account much quicker. He noted that when the invoices are paid via check, the turn-around time takes longer and the County's funds can bear interest longer.

Chairman Sorensen asked Ms. Dozier how her system will know which vendors receive written checks. Ms. Dozier responded that Commerce Bank will provide them a list. Mr. Sexton indicated that the vendor match process identifies which vendors will be part of the program. That list is then given to Mr. Ozier to flag them on the computer system.

Chairman Sorensen asked who contacts the individual vendors. Mr. Sexton replied that Commerce Bank will contact the vendors.

Mr. Butler asked if there is a cost to the vendor to be on this system. Mr. Sexton replied that there is a cost to the vendors because they are guaranteed payment within 24-48 hours. The vendor's cost will be based on how much of a total volume they run and on how quickly they want to be paid. If they are willing to stretch out the payment, they will absorb a smaller discount rate.

Ms. Dozier informed the Committee that a vendor can opt in and out of the program at any time.

After a lengthy discussion, Mr. Selzer made a motion to accept item 3.E.1)b-e). Chairman Sorensen recommended that the motion include a request for a quarterly update after the first quarter of operation of the program. Mr. Sexton indicated that Commerce Bank will provide a quarterly report.

Mr. Selzer asked if this is a one-year agreement. Mr. Sexton replied that it is a three-year agreement.

Mr. Lindberg pointed out a change on the Credit Line Request Form. The paragraph that begins "This equates to a monthly credit line of \$250,000.00..." should say "This equates to a bi-weekly credit line of \$250,000.00..."

Finance Committee
March 6, 2007
Page Nine

Chairman Sorensen asked if the program credit line will increase as the program grows. Mr. Sexton replied that the credit line will be adjusted as the County nears its limit.

Motion by Selzer/Moss to Recommend Approval of items 3.E.1)b, c, d and e), namely, a Request for Approval of Works™ Payment Manager Service Subscription Agreement; Approval of an Authorization Agreement for Automatic Payments (ACH Debits) with Commerce Bank; Approval of a Commerce Bank Corporate Resolution to obtain a Credit Card Account; and Approval of a Commerce Bank Credit Card Line as amended. The motion includes the request for a quarterly update from Commerce Bank beginning after the first full quarter of operation of the program.
Motion carried.

Mr. Selzer asked if this agenda item will go to Executive Committee or directly to the Board. Chairman Sorensen replied that it will go straight to the Board. Mr. Selzer recommended that a representative from Commerce Bank be available at the County Board meeting on Tuesday, March 20th at 9:00 a.m. to answer any potential questions.

Chairman Sorensen asked if there were any further comments or questions. Hearing none, he thanked Ms. Dozier, Mr. Blotcky, Mr. Fletcher and Mr. Sexton.

Chairman Sorensen presented the February 28, 2007 Finance Committee bills for review and approval as transmitted by the County Auditor. The Finance Committee bills include a Fund Total of \$593,019.75 with a Prepaid Total the same and the Nursing Home Fund Total is \$232,785.00 with a Prepaid Total the same.

Finance Committee
March 6, 2007
Page Ten

Motion by Nuckolls/Butler to recommend approval of
the Finance Committee bills as of February 28, 2007.
Motion carried.

There being nothing further to come before the Committee at this time,
Chairman Sorensen adjourned the meeting at 5:20 p.m.

Respectfully Submitted,

Judith A. LaCasse
Recording Secretary